

**BOOKKEEPING II**

Wednesday, June 18, 1952—9.15 a. m. to 12.15 p. m., only

Write at top of first page of answer paper (a) name of school where you have studied, (b) number of weeks and recitations a week in each of the following separately: bookkeeping I, bookkeeping II.

The time requirement is four or five recitations a week for two school years.

Answer four questions, including both of the questions in part I, one question from part II and one question from part III.

**Part I**

Answer both questions in this part.

1 Use general journal and cashbook. Columns required in the general journal are: Debit side—Notes Receivable, Accounts Payable, General Ledger; Credit side—General Ledger, Accounts Receivable, Notes Payable. Columns required in the cashbook are: on the receipts side—General Ledger, Cash Sales, Accounts Receivable, Sales Discount, Net Cash; on the payments side—General Ledger, Freight In, Accounts Payable, Purchase Discount, Net Cash.

[Note the special columns required in the cashbook for Cash Sales on the receipts side and Freight In on the payments side]

On May 1, 1952, the firm of Brill and Cooper has a bank balance of \$4375.

Record the bank balance in the firm's cashbook. Make, with sufficient explanations, entries for the following selected transactions, checking all items that should not be posted separately.

- May 2 Issued a check for \$250 to the Davis Realty Company in payment of rent for the month of May.
- May 5 Received from the Young Dress Co. a 30-day trade acceptance for \$360, in accordance with the terms of the sale of April 29.
- May 6 Received from Charles Mathews a check for \$171.50 in full settlement of invoice of April 26 for \$175 less 2%.
- May 7 Sold merchandise for \$27.50 cash.
- May 9 Received a credit memorandum for \$25 from the Raleigh Silk Co. for damaged merchandise we had returned.
- May 10 Paid freight charges of \$12.65 to the Acme Trucking Co. on a shipment of goods we had purchased from the General Cotton Mills.
- May 12 Mailed a check to the Raleigh Silk Co. in payment of invoice of May 2 for \$360 less the return of \$25, and less a 2% discount.
- May 15 Received a letter from Arthur Stone, a customer, asking us to make a contribution to the Cumberland Hospital, of which he is a director. Issued a check for \$25 payable to the hospital.
- May 16 Issued a check for \$128 to the City Trucking Company for goods shipped to our customers during the past month.
- May 19 Bought a machine for use in our factory from the Johnson Machine Company for \$2500. terms \$500 cash and a 60-day, 6% interest-bearing note for the balance. Issued the check and the note.
- May 21 George Sommers, a customer, paid his 60-day note for \$420, due today with interest at 6%.
- May 26 Received a check for \$5.25 from Aber & Son, a creditor, for an overpayment made to them.
- May 29 In accordance with the partnership agreement, George Brill draws \$400 and Alfred Cooper draws \$600 each month. Issued checks to the partners for these amounts.

Close the cashbook and bring down the balance. Foot and rule the general journal. Indicate clearly how totals are to be posted, but do not post. [50]

2 From the following trial balance, and additional information, prepare the classified statement of profit and loss. The partnership agreement provides that profits and losses are to be shared equally. [25]

MAYERS & WATKINS  
Trial Balance, December 31, 1951

Cash .....	\$ 2,450	.....
Notes Receivable .....	1,500	.....
Accounts Receivable .....	64,400	.....
Reserve for Bad Debts.....		\$ 340
Merchandise Inventory, January 1, 1951.....	94,300	.....
Office Equipment .....	3,500	.....
Reserve for Depreciation of Office Equipment.....		700
Delivery Equipment .....	4,800	.....
Reserve for Depreciation of Delivery Equipment....		1,920
Accounts Payable .....		46,170
Notes Payable .....		15,000
Withholding Taxes Payable.....		1,870
Social Security Taxes Payable.....		110
Albert Mayers, Capital.....		60,000
William Watkins, Capital.....		40,000
Albert Mayers, Personal.....	9,800	.....
William Watkins, Personal.....	8,200	.....
Sales Income .....		527,190
Sales Returns & Allowances.....	7,140	.....
Merchandise Purchases .....	420,100	.....
Purchase Returns & Allowances.....		4,100
Freight and Cartage In.....	14,300	.....
Office Supplies .....	1,940	.....
Rent .....	6,300	.....
Taxes .....	3,400	.....
Salesmen's Commissions .....	35,300	.....
Office Salaries .....	8,490	.....
Shipping Supplies .....	6,400	.....
Insurance .....	1,510	.....
Advertising .....	1,200	.....
Sales Discount .....	9,840	.....
Purchase Discount .....		8,370
Interest Cost .....	980	.....
Interest Income .....		80
	<u>\$705,850</u>	<u>\$705,850</u>

Additional Information, December 31, 1951:

Merchandise Inventory, December 31, 1951.....	\$110,000
Office Supplies Inventory.....	140
Taxes Payable .....	650
Salesmen's Commissions Payable.....	2,300
Prepaid Insurance .....	210
Accrued Interest on Notes Receivable.....	10
Depreciation of Office Equipment, 10% of cost	
Depreciation of Delivery Equipment, 20% of cost	
Additional Allowance for Bad Debts.....	\$ 940

## Part II

Answer either question 3 or question 4.

3 Answer *all* parts of this question:

- a* In answering the following questions, refer to the trial balance on page 2.
- (1) What kind of an account is Reserve for Bad Debts? [1]
  - (2) What kind of an account is Withholding Taxes Payable? [1]
  - (3) Write the adjusting entry for the Accrued Interest on Notes Receivable. [Omit the explanation.] [2]
  - (4) Write the adjusting entry to set up the additional allowance for bad debts. [Omit the explanation.] [2]
- b* What is the difference between the accounts Depreciation of Equipment and Reserve for Depreciation of Equipment? [2]
- c* In which section of a classified balance sheet should the following items be shown? [4]
- (1) Mortgage Payable
  - (2) Prepaid Rent
  - (3) Rent Income Received in Advance
  - (4) Accrued Interest on Mortgage Payable
- d* The fact that the totals of the debit and credit columns in the trial balance are equal does not necessarily mean that the books are correct. Give *three* types of errors that a bookkeeper may make that will *not* affect the equality of the debit and credit columns of the trial balance. [3]

4 Answer *all* parts of this question:

- a* When the bank statement is received at the end of the month, you note that the bank has made a service charge of \$8.30.
- (1) What entry would you make to record the service charge? [Omit the explanation.] [2]
  - (2) In which journal will this entry be made? [1]
  - (3) How will this service charge be shown on the bank reconciliation statement? [2]
  - (4) What record should be made of this service charge on the checkbook stub? [2]
- b* State *two* advantages of the Imprest Fund or Petty Cash System. [2]
- c* How does the bookkeeper check the accuracy of the Accounts Receivable Ledger at the end of the month? [3]
- d* Give the meaning of *each* of the following terms: [3]
- (1)  $\frac{2}{10}$  E.O.M.
  - (2) Statement of Account
  - (3) Contingent Liability

Turn to Part III on page 4.

[3]

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Name of pupil.....Name of school.....

If question 5 is chosen, detach this page and hand it in with your other answer paper.

**Part III**

Answer either question 5 or question 6.

5 Write on the line at the right of each statement the *number* preceding the word or expression that *best* completes the statement. [One credit for each correct answer; no partial credit.] [10]

[Example: The Notes Receivable account is (1)an asset account (2)a liability account (3)a capital account ..1..]

- a A bank draft is a (1) promissory note (2) check (3) time draft a.....
- b Interest on partners' investments is (1) an asset (2) a liability (3) a method of dividing profits b.....
- c An indorsement reading "Walter Brown" is a (1) full indorsement (2) blank indorsement (3) restrictive indorsement c.....
- d Entries are made in the Sales Journal from the (1) sales order (2) purchase order (3) sales invoice d.....
- e A bill of lading is (1) a receipt (2) an invoice (3) a monthly statement e.....
- f In New York State, the unemployment insurance tax is paid by (1) the employer (2) the employee (3) both employer and employee f.....
- g At the present time, the rate paid by the employee for Federal Insurance Contributions Act Taxes (Federal Old Age Benefits) is (1) 1% (2) 1½% (3) 2% g.....
- h If the current assets are \$30,000 and the current liabilities are \$10,000, the current ratio is (1) \$20,000 (2) 1 to 3 (3) 3 to 1 h.....
- i Entries in the Cash Receipts Journal are made from the (1) incoming checks (2) checkbook stubs (3) sales invoices i.....
- j A truck purchased for \$5500, with an estimated life of 5 years and scrap value of \$500, will result in an annual depreciation charge of (1) \$1100 (2) \$1000 (3) \$100 j.....

6 Describe the proper business procedure that should be followed in *each* of the following situations: [10]

- a A customer sends you a check for \$10 more than the amount due.
- b You have just received an order from a new customer and would like to determine whether or not to extend credit to him.
- c The balance on the monthly bank statement does not agree with the balance shown in the checkbook.
- d A creditor informs you that he did not receive a check that you mailed to him. You issue another check.
- e You are going on a business trip for your firm. You wish to safeguard the funds that you will need on the trip.